

Pursuant to the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of SEBI LODR Regulations, IDFC is providing the facility to its Members holding shares in physical or dematerialized form to exercise their right to vote by electronic means on all or any of the businesses specified in the Notice convening the AGM (Remote E-Voting). Accordingly, for the purpose of determining the shareholders eligible to cast their votes electronically/physically, the Company has fixed **Wednesday, July 20, 2016** as the cut-off date. The Company has engaged the services of Karvy Computershare Private Limited to provide the e-voting facility. The Remote e-voting will commence on **Friday, July 22, 2016 at 9:00 a.m.** and end on **Tuesday, July 26, 2016 at 5.00 p.m.** The Company is also offering the facility for voting by way of physical ballot at the AGM.

Further, we are enclosing herewith Notice of the 19th AGM and 19th Annual Report of the Company for the financial year 2015-16. The Annual Report consists of the following documents:

1. Chairman's Statement;
2. Board's Report;
3. Management Discussion and Analysis;
4. Corporate Governance Report;
5. CEO & CFO Certificate
6. Independent Auditors' Certificate on Corporate Governance
7. Consolidated Financial Statements along with Auditors' Report (including Cash Flow statement); and
8. Standalone Financial Statements of the Company along with Auditors' Report (including Cash Flow statement)
9. Form A duly signed by CEO/ Managing Director, Chief Financial Officer, Auditor and the Chairman of the Audit Committee.

We request to take the above documents on record and disseminate to the members.

Thanking you,
Yours faithfully,

For IDFC Limited


Ketan Kulkarni
Company Secretary



C.C: Mr. V Rajendra Prasad, Karvy Computershare Private Ltd.



IDFC LIMITED

NINETEENTH
ANNUAL REPORT
2015-2016

**GROWTH &
TRANSITION**

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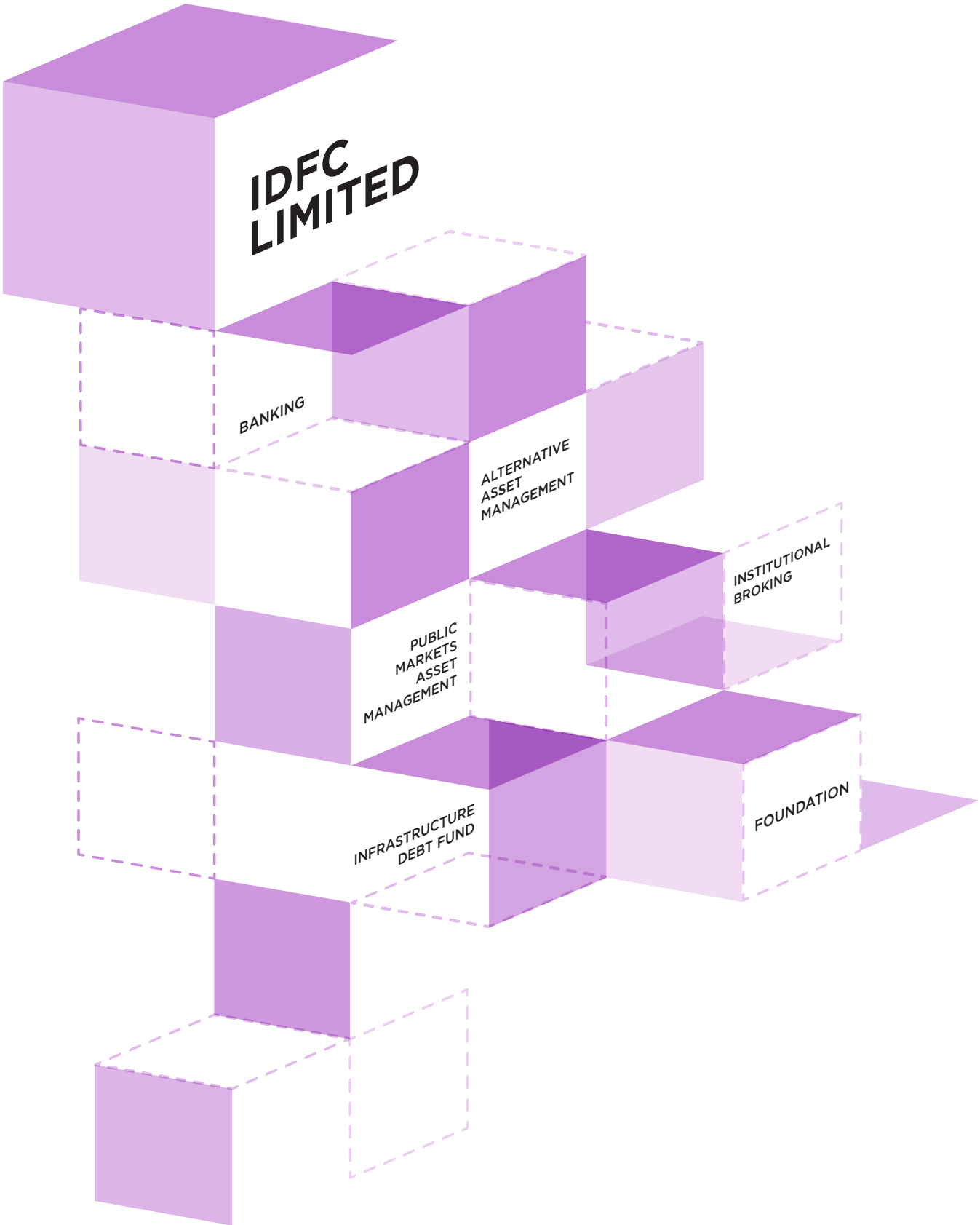
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**IDFC
LIMITED**

BANKING

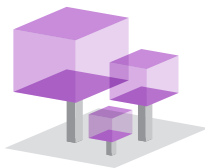
**ALTERNATIVE
ASSET
MANAGEMENT**

**PUBLIC
MARKETS
ASSET
MANAGEMENT**

**INSTITUTIONAL
BROKING**

**INFRASTRUCTURE
DEBT FUND**

FOUNDATION



SAVE PAPER, SAVE TREES, SAVE THE EARTH.

300,000+ Shareholders have already asked for paperless annual reports. Join them and save paper. Just drop us an e-mail.

The Companies Act, 2013, as a part of Green Initiative, allows companies to go for paperless compliances by sending Notice, Annual Report and other related documents by e-mail to its Shareholders. Many of the Shareholders have registered their e-mail address and we thank them for the same. Shareholders, who have not registered their e-mail address so far, may, as a support to this initiative, register their e-mail address by sending an e-mail to 'harikumar.iyer@idfc.com' quoting their Name, Folio No. / DP ID / Client ID and e-mail address to be registered with us for enabling us to send documents in electronic form.

Also, registering your e-mail address with us will ensure that we directly connect with you and no important communication from our side is missed by you as a Shareholder of the Company.

AWARDS & RECOGNITION

**IDFC SECURITIES
ANALYSTS GET
RANKED IN
INSTITUTIONAL
INVESTOR
SURVEY**

- No.1 for Oil and Gas Sector
- No.3 for Power Sector
- No.3 for Media Sector
- Runner up for IT Sector
- Runner up for Pharma Sector

**IDFC SECURITIES
ACHIEVED
THOMPSON
REUTERS
STARMINE
ANALYST
AWARDS 2015**

- No.1 for Pharmaceuticals
- No.1 for Construction & Materials
- No.2 for Media Sector
- No.3 for Utilities Sector

**IDFC SECURITIES'S
STELLAR
PERFORMANCE
IN ASIAMONEY
2015**

- No.3 for Most Improved Brokerage
- No.1 for Best Analyst (Industrials) Team
- No.2 for Best Analyst (Technology Hardware & Equipment)

**IDFC BANK
AWARDED
'INDIA BOND
HOUSE' 2015**

- By International Financing Review Asia (IFR Asia). The award validates the strength of IDFC Bank's Debt Capital Market (DCM) business in creating landmark transactions.

**IDFC BANK
AWARDED
'BEST HR
& TALENT
PRACTICES'**

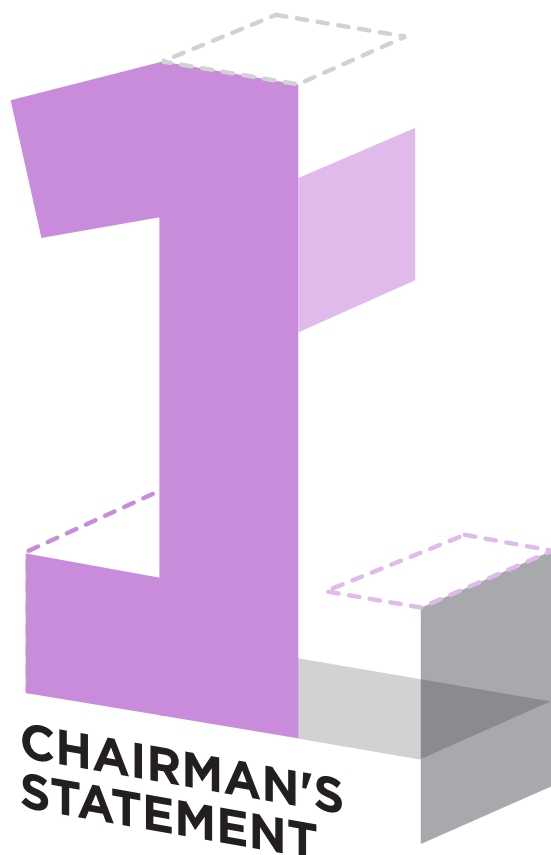
Among private sector banks by the Banking Frontiers magazine, at its Inspiring Workplaces 2015 event.

**IDFC BANK'S
MICRO ATM
AWARDED
'NETAPP
INNOVATION
AWARD 2016'**

For its innovative concept of Micro ATM, which is set to transform rural banking.

**IDFC BANK'S
INTERNET BANKING
PLATFORM—BXP
AWARDED
FOR PRODUCT
INNOVATION**

- By Global Finance magazine in The Innovators 2016 Awards. The only Indian bank to be honoured with the award this year



The macroeconomic environment during FY16 showed signs of stability helped by low global crude prices, a comfortable current account deficit and a manageable fiscal deficit. The Government maintained its fiscal consolidation path with a fiscal deficit target of 3.5 percent of GDP for FY17. Further monetary policy easing will depend on various factors, domestic and international, but inflation and monsoons will play an important role in this regard. The Government is now two years into its tenure and has steadily been taking steps to catalyse a more sustained revival of the growth cycle.

The underlying theme of the Union Budget presented in February 2016

was 'Transform India' with emphasis on increasing public investments in rural India and in social and physical infrastructure. Public investment in agriculture and irrigation has been increased from ₹ 25,988 crore in FY16 to ₹ 54,212 crore in FY17. This will go a long way in improving productivity of the drought prone farming sector. Government investment in infrastructure and energy is likely to go up to ₹ 246,246 crore in FY17 from ₹ 180,610 crore in FY16. The increase is led by investments in roads and railways which will bring down logistics costs and time in transporting goods. Apart from this, the Government will invest ₹ 25,000 crore during the year

to recapitalize PSU banks. In order to increase productivity of human capital, the Government has made significant allocations for welfare schemes for women and children. The above allocations along with an emphasis on improving productivity of job seekers through skill training of youth and a much better business climate in the form of focus on ease of doing business, will be the key drivers for improving the country's growth and investment outlook.

Fiscal 2016 (FY16) was a historic year in our journey as a financial institution which saw the establishment of IDFC Bank Limited ("IDFC Bank") on October 1, 2015. The Reserve

Bank of India ("RBI") granted a universal banking license to us on July 23, 2015 and we demerged all assets and liabilities of our lending business to IDFC Bank. IDFC Bank was formally inaugurated by the Hon'ble Prime Minister, Shri Narendra Modi, on October 19, 2015. At the formal inauguration in New Delhi, the Hon'ble Finance Minister, Shri Arun Jaitley and the Hon'ble Minister of State for Finance, Shri Jayant Sinha, were also present.

Our shareholders, as per the scheme of demerger approved by the Hon'ble High Court of Madras, received one share of IDFC Bank for every share owned of IDFC Limited. Post demerger our portfolio of businesses include 53% stake in IDFC Bank, 75% stake in IDFC Asset Management Company Limited, 100% stake in IDFC Securities Limited, 100% stake in IDFC Alternatives Limited and 100% stake in IDFC Infrastructure Debt Fund Limited (at present, 81.5%).

The lending business that was demerged into the bank was adequately ring-fenced from known asset quality issues by making adequate provisions prior to demerger. In keeping with our conservative approach, we also decided to recognize interest income on our stressed asset book on a cash basis as against accrual accounting. A dedicated team within the bank is focused on finding resolution for these assets.

All our businesses are doing well, are profitable and well poised for growth.

The asset quality problems faced by banks and financial institutions are largely due to issues in the infrastructure and steel sectors. The RBI has been proactive during the past year in trying to get banks to clean up their balance sheets. A concurrent audit of banks (the AQR or Asset

Quality Review) gave each bank a list of accounts which had to be classified as non-performing loans by FY16. We were proactive and amongst the first to recognize asset quality issues in the infrastructure sectors and were therefore not asked by the RBI to recognize any incremental assets as NPAs. Schemes such as the Strategic Debt Restructuring are also being used to resolve issues. To improve the efficiency of state-owned banks, the Government laid down a long-term capitalization plan under the Indradhanush scheme under which public sector banks would get capital infusion of ₹70,000 crore over four years. However, given the level of stressed assets in the system and Basel III requirements, banks would have to find additional means to recapitalize their balance sheets.

The flow of risk capital for new infrastructure development has all but dried up in the private sector. Given the reluctance of the private sector to take up large greenfield investments, there has been a push to increase Government spending in infrastructure sectors such as roads and railways. The fuel issues related to the power sector largely remain. However, supply of coal by Coal India to the power sector grew by 6.7 percent in FY16 over the previous year. Coal imports declined 7 percent year on year while import of non-coking

coal declined 15 percent. The captive coal blocks allocated and auctioned last year are yet to meaningfully contribute to production. Overall Plant Load Factor ("PLF") of gas based plants in the country continued to be low at 22.5 percent in FY16.

The Uday scheme announced by the Ministry of Power aspires to turnaround the distribution companies and make them financially viable by:

- a.** reducing interest cost of DISCOMs,
- b.** improving operational efficiencies of DISCOMs,
- c.** lowering the cost of power and
- d.** enforcing financial discipline on DISCOMs through state finances.

We are committed to delivering value to all our stakeholders with the highest standards of governance.

Fifteen states have given in-principle approval to the Uday scheme and ten state DISCOMs have signed the respective MoUs. In the road sector, the Government came up with several policy measures to revive participation from private developers. NHAI introduced a hybrid annuity model which requires lower upfront equity funding by developers.

IDFC Bank commenced business on October 1, 2015. Our Bank comprises three distinct businesses i.e. Commercial and Wholesale Banking, Bharat Banking and Consumer Banking. Our strategy and efforts will be to create a mass retail bank in 5 years with all the three businesses being well established. In FY16, funded credit and proportion of non-funded credit grew well. We had 60 branches in all. Of these 45 are Bharat Bank branches—35 in Madhya Pradesh and 10 in Karnataka. Our Consumer Bank has 11 branches located in 5 cities i.e. Mumbai, Delhi, Bengaluru, Chennai and Ahmedabad. Our Commercial and Wholesale Bank has 7 branches. Our bank has rolled-out 11 ATMs and 33 micro-ATMs. Our micro-ATMs are connected to the Aadhar network and serve multiple purposes including opening savings accounts in minutes. Our Bank in FY16 had close to 16,550 customers. Of these, Bharat Banking customers are over 10,000; Consumer Bank customers are close to

6,000 and Commercial and Wholesale bank customers are close to 550. While these are early days in the build out of the bank, progress so far across businesses has been encouraging. Our bank is investing in technology and re-engineering processes to ensure that customer experience is truly differentiated in terms of simplicity and transparency.

In FY16, the balance sheet of our Bank was around ₹ 74,000 crore and annualized net profits were around ₹ 800 crore.

Our mutual fund is ranked 9th in the industry. Of late, the top 10 fund houses in the industry have been consolidating their market share and quite a few global fund houses have closed their India operations. The Systematic Investment Plan route is mainly driving inflows into equity funds and digital transactions are gaining acceptance. We have established our reputation as a knowledge based, ethical fund house with a focus on investor interest. We are focused on profitable growth by improving fund performance, filling product gaps and broadening our distribution. In FY16, we delivered a strong performance. Our average AUM increased by 15% to ₹ 54,500 crore and net profits increased by 32% from ₹ 83 crore in FY15 to ₹ 110 crore in FY16.

The performance of the Indian alternative asset management industry

has been disappointing in terms of exits and returns for investors. Notwithstanding the poor industry performance, relatively speaking, our funds have done well. We need to complement our existing funds with new products and also deepen existing verticals. In alternatives, our AUMs are over ₹ 16,000 crore in 7 funds across 3 asset classes in infrastructure, private equity and real estate. We are in conversations with investors domestically and internationally to raise new funds in private equity and real estate. In FY16, net profit of our alternatives business was ₹ 10 crore.

In our securities business, notwithstanding the declining commission pool and other structural issues faced by the broking industry, we have done well. We have strengthened our institutional sales and research capabilities to better service FII and domestic institutional investors. The quality of our research is well acknowledged. Our research analysts have been recognized for their expertise by Institutional Investor, Asiamoney and Starmine through various awards. We have executed several IPOs and QIPs during the year and the pipeline of capital market transactions continues to be strong. In FY16 our securities business delivered net profits of ₹ 15 crore.

In FY16, our Infrastructure Debt Fund ("IDF") business was established and in the second half of FY16 gained momentum. The RBI has broadened the mandate for IDFs to include all operating infrastructure assets. Our IDF, which is under the NBFC construct, is a growth business and we are confident that over the next few years will gain significant momentum. This momentum could further accelerate once private sector investments in the country improve. The performance of our IDF in FY16 was strong. As on March 31, 2016, it had 23 assets totalling ₹1,202 crore. The portfolio is well diversified across renewables, IT SEZs, roads, education and healthcare. In FY16 net profits from this business were ₹37 crore. This business has significant synergies with our Bank. Banks are incentivized to fund eligible infrastructure assets through issuance of long term bonds for which there are no regulatory costs and IDFs are tax free entities. Our Bank and our IDF can form a strong consortium to provide cost effective assistance to eligible infrastructure assets.

To conclude, all our businesses are doing well, are profitable and well poised for growth. In the coming years, our Bank will transition to a mass retail bank with technology driving simplicity and transparency as a well-established theme for our customers across products and offerings. We also expect

growth in assets under IDF and higher AUMs under our alternatives and mutual fund business. In our securities business, we will expand our research coverage and sales foot-print to better service our institutional clients and will be amongst the more significant domestic franchises in the country. We are committed to delivering value to all our stakeholders with the highest standards of governance. I wish to sincerely thank our shareholders and employees for their continued support.



Vinod Rai
Non-executive Independent Chairman